

# RESPONSIBLE LENDING CP115

Scalable- obligation varies depending on circumstances

Before licensee suggests, assists or provides credit contract or lease

1 Make reasonable enquires

PROCEDURE

PROCEDURE

2 Make an assessment of the consumer's unsuitability

PROCEDURE

Impact on customer  
Complexity of credit contract  
Objectives and financial literacy of the consumer

4 Provide documents to consumers

Remember - as this is a Consultation Paper only and not a Regulatory Guide, it may be changed!

3 Provide assessment to consumer

Consumer must be provided with written assessment upon request

The key concept is that credit licensees must not enter into a credit contract with a consumer, suggest a credit contract or assist a consumer apply for credit if the credit is unsuitable

Financial situation

- Income
- Fixed expenses
- Variable expenses
- Extent of repayment of current debts
- Credit history
- Age/dependants
- Geographical factors
- Assets

Requirements and objectives

- Amount of credit
- Timeframe for credit required
- Purpose of credit and benefit to consumer
- Particular product features sought by customer

Verify information

- Credit report
- Pay slips
- Tax returns, bank statements
- Enquire with employer or accountant (permission required)
- Sight original documents
- Further enquiries as required

Consider

- Ability to repay
  - Income not assets
- Fit for purpose
  - Requirements and objectives

Contract is unsuitable if

- consumer will be unable to comply with financial obligations under contract
- contract will not meet consumer's requirements and objectives
- Regulations prescribe

Consumer must be able to repay without suffering substantial hardship

FIT FOR PURPOSE TEST

Switching and financing requires additional analysis

Based on reasonable enquiries

As soon as practicable


- Credit Guide
- Suitability assessment

Credit providers

Before providing assistance

- Quote for providing credit assistance
- Credit/lease proposal disclosure document
- Suitability assessment

Credit assistance providers



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